

**Philadelphia Gas Works**

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January 28, 2010

**VIA FEDERAL EXPRESS**

James McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building - 2<sup>nd</sup> Floor, 1 North  
400 North Street  
Harrisburg, PA 17120

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JAN 28 2010

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

RE: Philadelphia Gas Works; 2010 - 2011 Gas Cost Rate Filing; Docket No. R-2010-XXXXXX

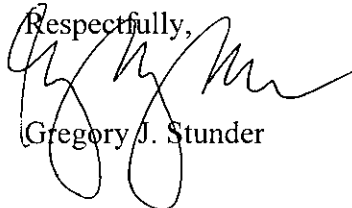
Dear Secretary McNulty,

Enclosed for filing are an original and eight copies of Philadelphia Gas Works (PGW) LNG Alternatives Report. This Report is provided pursuant to PGW's Joint Petition for Settlement of the Company's 2009-2010 GCR Proceeding (Docket No. R-2009-2088076) in which PGW agreed to the following in paragraph III.4.:

**III. 4. FEBRUARY 1, 2010 PRE-FILING – LNG ALTERNATIVES DISCUSSION**

PGW has currently contracted for two studies which will explore the Company's LNG alternatives. The studies are expected to be completed by Fall 2009. The Company will present the evaluation of its alternatives in its February 1, 2010 PGC pre-filing. If the Company determines that one of the LNG alternatives is viable, it will also discuss the process by which it proposes to obtain stakeholder approval.

Please contact me if you have any questions regarding this filing.

Respectfully,  
  
Gregory J. Stunder

Enclosure

cc: All Parties of Record  
Karen Moury, Esq., Executive Director w/enc.  
Robert F. Wilson, Bureau of Fixed Utility Services w/enc.

**PHILADELPHIA GAS WORKS  
2010-2011 GCR PROCEEDING**

**LNG ALTERNATIVES DISCUSSION**

In Philadelphia Gas Works Joint Petition for Settlement of the Company's 2009-2010 GCR Proceeding (Docket No. R-2009-2088076), PGW agreed to the following in paragraph III.4.:

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The two studies have been completed and the Executive Summaries are attached. The first study,<sup>1</sup> prepared by Black and Veatch, estimates the cost of downsizing PGW's Cascade liquefaction plant to 7 - 10 MMSCFD. The estimate for the base case of 10 MMSCFD is \$40,000,000. Costs range from \$29,000,000 to \$48,610,000 for the different options. The second study,<sup>2</sup> prepared by CHI Engineering, estimates the cost of a 7 MMSCFD Cosmodyne Nitrogen Cycle Liquifier. This estimate totals \$33,500,000. PGW is seeking estimates for two additional options:

1. A 7 MMSCFD Nitrogen Cycle Liquifier. This estimate is currently being prepared by Air Products. In a preliminary report, the cost is \$32,547,000.

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<sup>1</sup> Attachment 1.

<sup>2</sup> Attachment 2.

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2. A small scale liquefier for the liquefaction of the LNG tank boil-off (or an amount that is equivalent to the LNG tank boil-off). This estimate is currently being prepared by Air Products and Linde.

PGW will consider the viability of each option after the two pending estimates are fully completed.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

**VIA FEDERAL EXPRESS**

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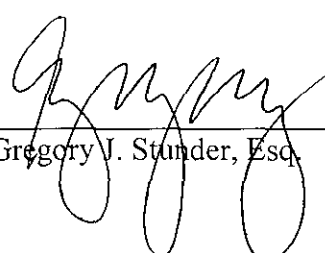
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Date: January 28, 2010

  
\_\_\_\_\_  
Gregory J. Stunder, Esq.

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